

TAXATION

DATE 2-14-07

[illegible]



SENATE STANDING COMMITTEE REPORT

February 14, 2007

Page 1 of 4

Mr. President:

We, your committee on **Taxation** recommend that **Senate Bill 76** (first reading copy -- white) do pass as amended.

Signed: _____

Senator Jim Elliott, Chair

And, that such amendments read:

1. Title, line 7.

Strike: "ALL"

Insert: "CERTAIN"

2. Title, line 13.

Following: "15-31-511,"

Insert: "17-1-132,"

3. Page 1, line 22.

Following: "auditor,"

Insert: "the"

4. Page 1, line 23.

Following: "analyst"

Insert: "pursuant to 5-12-303"

Strike: "upon request"

Insert: "pursuant to 17-7-111"

5. Page 1, line 24.

Following: "law."

Insert: "The legislative fiscal analyst and the office of budget and program planning may disclose state return information to each other."

6. Page 1.

Following: line 26

Insert: "(3) Income tax information held by the department, the

Committee Vote:

Yes 10, No 0

Fiscal Note Required _____ *KL*

331248SC.spb

legislative auditor, the legislative fiscal analyst, and the office of budget and program planning are solely for their official use and are not a public record."

Renumber: subsequent subsections

7. Page 2, line 6.

Strike: "and tax records"

8. Page 2.

Following: line 16

Insert: "(3) (a) The department of revenue shall make Montana individual income tax information available by removing names, addresses, and social security numbers and substituting in their place a state accounting record identifier number. Except for the purposes of complying with federal law, the department may not alter the data in any other way.

(b) The department of revenue shall provide the name and address of a taxpayer on written request of the legislative fiscal analyst when the values on the requested return, including estimated payments, are considered necessary by the legislative fiscal analyst to properly analyze state revenue and are of a sufficient magnitude to materially affect the analysis and when the identity of the taxpayer is necessary to evaluate the effect of the return or payments on the analysis being performed."

Renumber: subsequent subsections

9. Page 2, line 24.

Following: "disclosure"

Insert: "or if the department of revenue notifies the fiscal analyst that specified records or information may contain confidential information"

10. Page 2, line 27.

Following: "[section 1],"

Insert: "17-7-111,"

11. Page 2, line 29.

Strike: "knowingly or purposely"

12. Page 3, line 22 through line 23.

Strike: "\$1,000" on line 22 through "both" on line 23

Insert: "\$500"

13. Page 4, line 11.

Strike: "The"

Insert: "On written request to the director or a designee of the director, the"

14. Page 4, line 27.

Following: "5-12-303"

Insert: ", "

Strike: "and"

Following: "[section 1]"

Insert: ", and 17-7-111"

15. Page 5, line 8.

Strike: "knowingly or purposely"

16. Page 6, line 10.

Strike: "The"

Insert: "On written request to the director or a designee of the
director, the"

Following: "shall"

Strike: "on request"

17. Page 6, line 16.

Following: "planning"

Insert: ", as provided in [section 1] or 17-7-111"

18. Page 6, line 19 through line 20.

Strike: "\$1,000" on line 19 through "both" on line 20

Insert: "\$500"

19. Page 6, line 24.

Insert: "Section 5. Section 17-1-132, MCA, is amended to read:

"17-1-132. Access to information. (1) The budget director
~~shall have~~ has the power to demand and receive from every
department, officer, board, commission, or institution, at any
time, any and all information requested.

(2) The budget director may investigate and examine the
costs and revenue of state government activities and may examine
and obtain copies of the records, books, and files of any state
agency, including confidential records.

(3) When confidential records and information are obtained
from a state agency, the budget director and staff are subject to
the same penalties for unauthorized disclosure of the
confidential records and information as are provided for under
the laws administered by the state agency. The budget director
shall develop policies to prevent the unauthorized disclosure of
confidential records and information obtained from state
agencies.

(4) This section does not authorize publication or public
disclosure of information if the law prohibits publication or
disclosure or if the department of revenue notifies the budget
director that specified records or information may contain
confidential information."

Renumber: subsequent sections

20. Page 9.

Following: lines 13 through 17

Strike: subsection (6) in its entirety

Insert: "(6) (a) The department of revenue shall make Montana individual income tax information available by removing names, addresses, and social security numbers and substituting in their place a state accounting record identifier number. Except for the purposes of complying with federal law, the department may not alter the data in any other way.

(b) The department of revenue shall provide the name and address of a taxpayer on written request of the budget director when the values on the requested return, including estimated payments, are considered necessary by the budget director to properly analyze state revenue and are of a sufficient magnitude to materially affect the analysis and when the identity of the taxpayer is necessary to evaluate the effect of the return or payments on the analysis being performed."

- END -

PLEASE LEAVE PREPARED STATEMENT WITH COMMITTEE SECRETARY

Amendments to Senate Bill No. 76
1st Reading Copy

Adopted by Committee

For the Senate Taxation Committee

Prepared by Lee Heiman
February 14, 2007 (12:02pm)

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Strike: "ALL"

Insert: "CERTAIN"

2. Title, line 13.

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Strike: "upon request"

Insert: "pursuant to 17-7-111"

5. Page 1, line 24.

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Insert: "The legislative fiscal analyst and the office of budget and program planning may disclose state return information to each other."

6. Page 1.

Following: line 26

Insert: "(3) Income tax information held by the department, the legislative auditor, the legislative fiscal analyst, and the office of budget and program planning are solely for their official use and are not a public record."

Renumber: subsequent subsections

7. Page 2, line 6.

Strike: "and tax records"

8. Page 2.

Following: line 16

Insert: "(3) (a) The department of revenue shall make Montana

individual income tax information available by removing names, addresses, and social security numbers and substituting in their place a state accounting record identifier number. Except for the purposes of complying with federal law, the department may not alter the data in any other way.

(b) The department of revenue shall provide the name and address of a taxpayer on written request of the legislative fiscal analyst when the values on the requested return, including estimated payments, are considered necessary by the legislative fiscal analyst to properly analyze state revenue and are of a sufficient magnitude to materially affect the analysis and when the identity of the taxpayer is necessary to evaluate the effect of the return or payments on the analysis being performed."

Renumber: subsequent subsections

9. Page 2, line 24.

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Insert: ", as provided in [section 1] or 17-7-111"

18. Page 6, line 19 through line 20.

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19. Page 6, line 24.

Insert: "Section 5. Section 17-1-132, MCA, is amended to read:

"17-1-132. **Access to information.** (1) The budget director ~~shall have~~ has the power to demand and receive from every department, officer, board, commission, or institution, at any time, any and all information requested.

(2) The budget director may investigate and examine the costs and revenue of state government activities and may examine and obtain copies of the records, books, and files of any state agency, including confidential records.

(3) When confidential records and information are obtained from a state agency, the budget director and staff are subject to the same penalties for unauthorized disclosure of the confidential records and information as are provided for under the laws administered by the state agency. The budget director shall develop policies to prevent the unauthorized disclosure of confidential records and information obtained from state agencies.

(4) This section does not authorize publication or public disclosure of information if the law prohibits publication or disclosure or if the department of revenue notifies the budget director that specified records or information may contain confidential information."

{ Internal References to 17-1-132: None. }"

Renumber: subsequent sections

20. Page 9.

Following: lines 13 through 17

Strike: subsection (6) in its entirety

Insert: "(6) (a) The department of revenue shall make Montana individual income tax information available by removing names, addresses, and social security numbers and substituting in their place a state accounting record identifier number. Except for the purposes of complying with federal law, the department may not alter the data in any other way.

(b) The department of revenue shall provide the name and address of a taxpayer on written request of the budget director when the values on the requested return, including estimated payments, are considered necessary by the budget director to properly analyze state revenue and are of a sufficient magnitude to materially affect the analysis and when the identity of the taxpayer is necessary to evaluate the effect of the return or payments on the analysis being performed."

- END -



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2009 Biennium

Bill # SB0375

Title: State tax incentive for national guard and reserve employers

Primary Sponsor: McGee, Dan

Status: As Introduced

- | | | |
|---|--|--|
| <input type="checkbox"/> Significant Local Gov Impact | <input type="checkbox"/> Needs to be included in HB 2 | <input type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

FISCAL SUMMARY

	<u>FY 2008 Difference</u>	<u>FY 2009 Difference</u>	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>
Expenditures:				
General Fund	\$2,500	\$0	\$0	\$0
Revenue:				
General Fund	(\$1,656,450)	(\$1,656,450)	(\$1,656,450)	(\$1,656,450)
Net Impact-General Fund Balance	<u>(\$1,658,950)</u>	<u>(\$1,656,450)</u>	<u>(\$1,656,450)</u>	<u>(\$1,656,450)</u>

Description of fiscal impact: This legislation provides a tax credit to employers of national guardsmen and reservists in Montana.

FISCAL ANALYSIS

Assumptions:

- Beginning in tax year 2007, this legislation would provide a \$500 tax credit to employers for each member of the Montana National Guard or Montana reservists serving in the army, navy, marine corps, coast guard, or air force ready reserve. The employee must have been employed for at least 9 months during the tax year for at least 20 hours a week and must have been employed on the last day of the tax year, or would have met these conditions except the employee was called into active duty. This credit can be carried over for seven years.
- According to representatives from the Montana National Guard and Montana reservists, the total number of guardsmen and reservists in Montana is 5,258. See technical note 1.
- According to a 2004 report by the Secretary of Defense, Reserve Affairs, 59% of reservists are employed in the private sector and 11% are self-employed. The remaining reservists work for public or non-profit employers that would not claim this credit. This fiscal note assumes that the employment distribution for national guardsmen is similar to the reservists. Therefore, employers could claim this credit on 3,681 (5,285 x 70%) guardsmen and reservists.

Fiscal Note Request – As Introduced

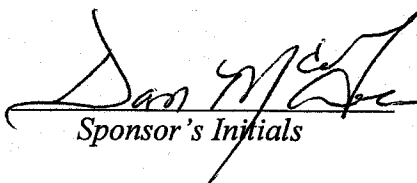
(continued)


4. At a tax credit of \$500 per employee, the bill will provide tax credits each tax year of \$1,840,500 (\$500* 3,681), starting in tax year 2007.
5. It is assumed that 10% of the available credit will not be used each year because some employers will have tax liability less than their credit amount. Therefore this credit is estimated to reduce general fund revenues by \$1,656,450 each year.
6. This bill is effective on passage and will apply retroactively to tax years beginning after December 31, 2006. Credits will first be claimed on returns filed in the spring of FY 2008.
7. The Department of Revenue will require \$2,500 in FY 2008 for the creation of a new tax credit reporting form.

	<u>FY 2008 Difference</u>	<u>FY 2009 Difference</u>	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>
<u>Fiscal Impact:</u>				
FTE	0.00	0.00	0.00	0.00
<u>Expenditures:</u>				
Personal Services	\$0	\$0	\$0	\$0
Operating Expenses	\$2,500	\$0	\$0	\$0
TOTAL Expenditures	<u>\$2,500</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>Funding of Expenditures:</u>				
General Fund (01)	\$2,500	\$0	\$0	\$0
TOTAL Funding of Exp.	<u>\$2,500</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>Revenues:</u>				
General Fund (01)	(\$1,656,450)	(\$1,656,450)	(\$1,656,450)	(\$1,656,450)
TOTAL Revenues	<u>(\$1,656,450)</u>	<u>(\$1,656,450)</u>	<u>(\$1,656,450)</u>	<u>(\$1,656,450)</u>
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	(\$1,658,950)	(\$1,656,450)	(\$1,656,450)	(\$1,656,450)

Technical Notes:

1. This fiscal note assumes that the 110 Coast Guard Auxiliary performing duties for Montana's rivers and lakes would be eligible for this credit. The number of guardsmen and reservists also includes 60 Air Force personnel that work and live in Montana, but are associated with a troop located out of state.

 2/7/07
Sponsor's Initials Date

 2/5/07
Budget Director's Initials Date



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2009 Biennium

Bill #	SB0400	Title:	Earned income tax credit
Primary Sponsor:	Kaufmann, Christine	Status:	As Introduced

- | | | |
|---|--|--|
| <input type="checkbox"/> Significant Local Gov Impact | <input type="checkbox"/> Needs to be included in HB 2 | <input type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

FISCAL SUMMARY

	<u>FY 2008 Difference</u>	<u>FY 2009 Difference</u>	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>
Revenue:				
General Fund	(\$17,624,000)	(\$17,924,000)	(\$18,228,000)	(\$18,538,000)
Net Impact-General Fund Balance	<u>(\$17,624,000)</u>	<u>(\$17,924,000)</u>	<u>(\$18,228,000)</u>	<u>(\$18,538,000)</u>

Description of fiscal impact: This bill would allow residents who take the federal earned income credit to take an income tax credit equal to 15% of their federal credit.

FISCAL ANALYSIS

Assumptions:

1. This bill would allow resident taxpayers who take the federal earned income credit against their federal income tax to take a credit equal to 15% of their federal credit against their state income tax, beginning with tax year 2007. If the credit exceeds the taxpayer's liability or if the taxpayer has no state tax liability, the taxpayer is entitled to a refund. To be claimed, the taxpayer must file a Montana income tax return.
2. The most recent IRS data on the earned income credit is for 2004. That year, 74,621 returns with a Montana address claimed \$123,019,000 in earned income credits. Annual growth in the amount of credits in 2003 and 2004 was 1.7% per year. Income limits for eligibility were raised between 2004 and 2007. Average annual growth is assumed to be 2% between 2004 and 2007, to account for more taxpayers being eligible, and then to return to 1.7%.
3. Federal credits claimed by taxpayers with Montana addresses will be \$130,549,000 for 2007 (\$123,019,000 x 102%³). Federal credits claimed by taxpayers with Montana addresses will be \$132,768,000 for 2008, \$135,025,000 for 2009, and \$137,320,000 for 2010.
4. Some taxpayers who file their federal income tax return from a Montana address are not full year residents of the state and would not be eligible for this state credit. Some taxpayers who are eligible would not

Fiscal Note Request – As Introduced

(continued)

claim the credit. Therefore, the amount of state credits claimed will be assumed to be 90% of federal credits multiplied by the 15% credit percentage.

5. Credits for a tax year would be claimed on tax returns filed the following spring. Credits for a tax year will reduce revenue in the next higher numbered fiscal year.
6. Credits for tax year 2007 would be \$17,624,000 (90% x 15% x \$130,549,000), and general fund revenue for FY 2008 would be reduced by the same amount. General fund revenue would be reduced by \$17,924,000 in FY 2009, by \$18,228,000 in FY 2010, and by \$18,538,000 in FY 2011.
7. Changes to income tax forms to accommodate this credit would be made as part of the normal annual update process. The Department of Revenue would have no additional costs of administering the income tax because of this credit.

	<u>FY 2008</u> <u>Difference</u>	<u>FY 2009</u> <u>Difference</u>	<u>FY 2010</u> <u>Difference</u>	<u>FY 2011</u> <u>Difference</u>
<u>Fiscal Impact:</u>				
<u>Revenues:</u>				
General Fund (01)	<u>(\$17,624,000)</u>	<u>(\$17,924,000)</u>	<u>(\$18,228,000)</u>	<u>(\$18,538,000)</u>
TOTAL Revenues	<u>(\$17,624,000)</u>	<u>(\$17,924,000)</u>	<u>(\$18,228,000)</u>	<u>(\$18,538,000)</u>
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	(\$17,624,000)	(\$17,924,000)	(\$18,228,000)	(\$18,538,000)

Effect on County or Other Local Revenues or Expenditures:


1. None.

Long-Range Impacts:

1. The revenue loss from this bill would continue to grow over time after FY 2011.

Technical Notes:

1. It is not clear how this legislation would affect taxpayers who file as married filing separately on the same form.



Sponsor's Initials

2/6/07

Date



Budget Director's Initials

2/6/07

Date